

AUGUST 4, 2011, 7:01 P.M. ET

Moody's Raises Panama Outlook On Economy, Balance Sheet Strength

DOW JONES NEWSWIRES

Moody's Investors Service increased the chance of an upgrade for Panama's foreign-currency bonds, citing the country's economic momentum and solid balance sheet.

The firm raised the outlook on Panama's foreign-currency government bond rating to positive. The rating currently stands as Baa3, the bottom rung of investment-grade territory before junk.

Moody's said the "the Panamanian economy has continued to show remarkable and enduring dynamism," adding that it is likely to grow at a strong rate because of a \$5.25 billion expansion of the Panama Canal and the government's dedication to infrastructure modernization.

Higher government revenues because of economic growth, tax reforms in the last few years and efficiency improvements give the government's balance sheet breathing room for the heavy investment spending, the firm said.

Moody's said while the current account deficit has widened significantly, it is predominantly financed by foreign direct investment inflows, and credit indicators don't "show symptoms of overheating."

It said the positive outlook recognizes that the government's debt burden should fall, given the strong economic growth, and that Panama's financing needs are relatively small thanks to moderate fiscal deficits.

The move is the latest in a series of positive ratings changes for Latin American countries. Last month, Standard & Poor's Rating Services upgraded Uruguay's sovereign-credit rating a notch. In June, Fitch Ratings upgraded Colombia into investment-grade territory because of improved credit metrics and political reforms, following an equivalent move by Moody's Investors Service the month before. Credit raters have also lifted the ratings or outlooks for Ecuador, Brazil, Honduras and Peru this year.

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Additional Information is available at the Department of Justice, Washington, DC.

Bloomberg

Panama's Credit Rating Outlook Revised to Positive by S&P

By Drew Benson - Jul 21, 2011 5:53 PM ET Thu Jul 21 21:53:03 GMT 2011

Panama had its credit outlook revised to positive from stable by Standard & Poor's Ratings Service as the economy grows faster than expected.

S&P lifted Panama's foreign currency long-term debt rating to BBB-, the lowest investment grade level, in May of last year.

"The positive outlook is based on our view that stronger growth and increased infrastructure spending could result in faster-than-expected improvement in the sovereign's financial profile," analysts Roberto Sifon Arevalo and Joydeep Mukherji wrote in a report from New York. "The positive outlook reflects the likelihood of an upgrade if the better-than-expected performance of Panama's economy continues over the next year or two."

Fitch Ratings lifted Panama's credit to BBB, the second-lowest investment grade rating, last month, while Moody's Investors Service has held it at Baa3, its lowest investment grade, since June of last year.

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The New York Times

August 16, 2011

Panama Adding a Wider Shortcut for Shipping

By HENRY FOUNTAIN

COCOLÍ, Panama — For now, the future of global shipping is little more than a hole in the ground here, just a short distance from the Pacific Ocean.

Ah, but what a hole it is.

About a mile long, several hundred feet wide and more than 100 feet deep, the excavation is an initial step in the building of a larger set of locks for the Panama Canal that should double the amount of goods that can pass through it each year.

The \$5.25 billion project, scheduled for completion in 2014, is the first expansion in the history of the century-old shortcut between the Atlantic and Pacific. By allowing much bigger container ships and other cargo vessels to easily reach the Eastern United States, it will alter patterns of trade and put pressure on East and Gulf Coast ports like Savannah, Ga., and New Orleans to deepen harbors and expand cargo-handling facilities.

Right now, with its two lanes of locks that can handle ships up to 965 feet long and 106 feet wide — a size known as Panamax — the canal operates at or near its capacity of about 35 ships a day. During much of the year, that can mean dozens of ships are moored off each coast, waiting a day or longer to enter the canal.

The new third set of locks will help eliminate some of those backlogs, by adding perhaps 15 passages to the daily total. More important, the locks will be able to handle “New Panamax” ships — 25 percent longer, 50 percent wider and, with a deeper draft as well, able to carry two or three times the cargo.

No one can predict the full impact of the expansion. But for starters, it should mean faster and cheaper shipping of some goods between the United States and Asia.

Dean Campbell, a soybean farmer from Coulterville, Ill., for instance, expects the expansion will help him compete with farmers in South America — which, he said, “has much poorer infrastructure for getting the grain out.”

The canal expansion “will have a definite impact on us,” Mr. Campbell said. “We think in general it will be a good thing, we just don’t know how good.”

Jean Paul Rodrigue, a professor of global studies and geography at Hofstra University who has studied the expansion project, said that the shipping industry was waiting to see how big the impact would be. "They know it's going to change things, but they're not sure of the scale."

For now the hole, parallel to the existing smaller Pacific locks and about a half-mile away, is a scene of frenetic activity by workers and machines laboring in the tropical haze. At one end, giant hydraulic excavators scoop blasted rock into a parade of earth movers that dump it topside on a slowly growing mountain of rubble. At the other, where the machines have finished their work, a pack of about 50 men buzzes over the rock floor, preparing it to serve as a foundation for a bed of concrete.

That slab will be one small building block for the immense structures to come: three 1,400-foot-long locks, water-filled chambers that will serve as stair steps, raising or lowering ships a total of 85 feet. An identical set of locks will be built on the Atlantic side.

Once an Atlantic-bound ship leaves the new Pacific locks, it would join the existing canal at the Culebra Cut — an eight-mile channel through the continental divide — and then steam across Gatún Lake to the new Atlantic locks for the trip back down to sea level. In all, the 51-mile passage will take about half a day, as it does now.

The expansion is being financed with loans from development banks to be repaid through tolls that currently reach several hundred thousand dollars for large ships. The project is huge by Panama's standards; among other things, the country's largest rock-crushing plant has sprung up, almost overnight, to turn the mountain of excavated rubble into sand and stone for the concrete.

It is hardly the biggest infrastructure project in the world, "but this is the one that has the most foreign impact," said Jorge L. Quijano, an executive vice president of the Panama Canal Authority, which has operated the canal since the United States handed it to Panama more than a decade ago. "And I think it is the one that has the most impact on the United States."

And perhaps on other nations: some of the largest ships that currently serve Europe by traveling through the wider Suez Canal in Egypt may begin using the Panama route.

But the impact will probably be greatest in the United States, the destination or origin of about two-thirds of the goods that pass through the canal.

Like the construction of the original canal, an engineering masterpiece that opened in 1914 after 10 years of work by the United States Army Corps of Engineers, the expansion project is a daunting task, but for different reasons.

The corps had to tackle tropical diseases that had killed thousands of workers during an earlier failed effort by the French. It had to excavate — and, crucially, dispose of — tens of millions of cubic yards of dirt and rock. And it built locks that were then the world's largest.

"They were the best engineers in the world, ever," said Alberto Alemán Zubieta, the chief executive of the canal authority. "Today I've got computers, technology, super equipment. Those guys did this in 10 years, under the most difficult conditions ever."

The biggest questions today concern whether, in a country and region marked by official corruption, the canal authority, an autonomous agency of the Panamanian government, can handle such an undertaking. Panama's vice president, Juan Carlos Varela, was reported to have privately called the project a "disaster" in 2009, according to an American diplomatic memo made public last year by WikiLeaks. Mr. Varela described the main contractors, Spanish and Italian firms, as "weak."

But authority executives say they have had nothing but support from the government. They claim that the project is on time and under budget, and that the authority has the engineering and management skill to complete it.

Some outsiders agree. "We are quite impressed with how the project is being run," said Byron Miller, a spokesman for the Port of Charleston in South Carolina, which is spending \$1.3 billion over 10 years on improvements to handle the additional cargo from the canal and other routes.

Expansion of the canal was first proposed in the 1930s to accommodate large United States warships, and excavation for larger locks began in 1939 but was stopped during World War II. The current project was approved in a national referendum in 2006.

Deeper approach channels are being dredged on both coasts. And on the Pacific side, crews are excavating a long channel that will connect the new locks to the Culebra Cut. The channel through Gatún Lake is being widened so that larger ships can pass each other.

The new locks, which will account for about half the cost of the project, will work on the same principle used by the existing ones: moved solely by gravity, water is fed into or emptied from the chambers, raising or lowering the ships inside. But the new locks will use a different kind of gate at the end of each chamber, which should make maintenance easier and less disruptive. They will also have a feature found on some canals in Europe: three shallow basins next to each lock that will store water and reuse it. With the basins, the new locks will use about four million fewer gallons of water for each ship's passage through the canal than the much smaller existing locks. Even so, to ensure there is enough, the project will raise the level of Gatún Lake, which supplies the water for the locks, by about a foot and a half.

Water use would not seem to be much of an issue in rain-soaked Panama. But Gatún Lake serves as a drinking water supply as well. And the water level has to be monitored so there is enough stored for use by the canal during the dry season, roughly January to April. If the level is too low the authority has to reduce the amount of water for each passage, which means the deepest-draft ships cannot use the canal unless they unload some cargo.

Water quality is an issue as well. The new locks and basins will allow more saltwater into Gatún Lake, although the canal authority insists that the effect will be small and that steps can be taken to mitigate the problem if necessary.

The water-saving basins, with an elaborate system of culverts and valves to divert water to and from the chambers, may be the project's most technologically challenging part. Operators will use computer controls that are a far cry from the electromechanical ones, with brass and glass indicators and chrome valve handles, that were used from 1914 until just a few years ago.

Despite the system's complexities, Mr. Quijano, the canal authority official, insisted that the authority was capable of carrying it out successfully. "We have not invented anything that has not been invented before," he said.

Mr. Alemán, the authority's chief executive, also expressed confidence in the project's overall success, saying his managers draw lessons from those who worked a century ago. "We have a very high standard to live up to," he said.

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Additional Information is available at the Department of Justice, Washington, DC.

Tampa Bay Business Journal

Panama eyed for economic development riches

Diverse business opportunities available

Friday, May 20, 2011

Business and political leaders are focusing fresh attention on economic development opportunities in Panama.

A delegation of more than a dozen corporate executives, port and airport officials and Tampa Mayor **Bob Buckhorn** traveled to the Central American nation May 4-7.

And planning is under way for another Tampa Bay delegation to visit Panama Oct. 7-13. The Greater Tampa Chamber of Commerce and AAA Auto Club South are organizing the trip.

Attention is focused on business opportunities related to expansion of the famous canal that bisects the isthmus, as well as enticing Panama-based Copa Airlines to make direct flights to Tampa.

Business and government officials said they are leveraging existing relationships and developing new connections now in hopes of landing new business in the years to come.

"Panama with the canal expansion is a place we need to understand and pursue whether a great amount of business develops or just some business," said **Keith Norden**, president and chief operating officer of the Tampa Hillsborough Economic Development Corp.

Panama is in the middle of a construction boom, said **Mario Longhi**, president and CEO of Gerdau Long Steel North America, another member of the delegation.

"The opportunity for us goes with the infrastructure growth," Longhi said.

Gerdau's role in Canal expansion

Panama is building two new bridges over the canal, an expanded warehouse and manufacturing district, plus residential, retail and golf course development, he said.

"The port facility will be expanded in two phases," Longhi said. "They are very well organized. You have a very diverse group of businesses looking at opportunities down there."

Longhi said he expects activity to remain intense for several years. "A five-year horizon seems like a pretty safe bet."

Panama is "business friendly for U.S. companies," said **Herb Goetschius**, chairman of McNichols Company, a perforated metal business that makes wire mesh, grating, railing guards and industrial flooring.

He said the company could still get a piece of the canal expansion, since its products typically are used toward the end of large infrastructure projects.

Goetschius said America's former operation of the canal has a positive "lingering impact" and noted that Panama still uses our currency. He is hopeful for final passage of the U.S. Panama Free Trade Agreement, which would lift or ease tariffs outside the canal zone.

"I hope Tampa can take advantage of this relationship," he said. "I think it would bode well for us."

Familiarity breeds understanding

Tampa's effort to build business relationship with Panama is being spurred by longtime connections of port Director and CEO **Richard Wainio**. He grew up in Panama and spent more than 20 years working in executive positions, including executive director for the American Chamber of Commerce and Industry in Panama.

"I was very impressed by the well-organized relationships we already have there," Buckhorn said. "**Richard Wainio** has a very good reputation there."

As mayor, Buckhorn has seat on the Economic Development Corp. board and the port and airport boards. He is keen on seeing Copa switch one of its Orlando flights to Tampa International Airport.

"Starting the process with Copa was the best thing that came about," said Buckhorn. "We weren't on their radar before and we are now. If we get a foothold there, then there will be opportunities to broaden to Central and South America."

A Continental Airlines affiliate, Copa bills itself as the "Hub of the Americas," with 49 destinations in 27 countries.

Tampa International Airport CEO **Joe Lopano** and Vice President of Marketing **Chris Minner** made a data-driven presentation to Copa executives.

They showed data indicating a potential customer base of up to 312 people a day flying from TIA to Panama City, where they could stay or make connections. Most of those people are now driving to other Florida airports.

TIA is exploring new international flights to Frankfurt, Germany; Sao Palo, Brazil, Bogota, Columbia and Mexico City, which also have strong Tampa-based passenger numbers. But Minner noted that each decision by airlines to add another connection is a little tougher than approving the previous city.

“The airlines have to make a business decision,” he said. “They have to be convinced to look at the data for themselves. But we’ve convinced ourselves of the profitability of these routes.”

A decision on adding new flights could take years.

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Additional Information is available at the Department of Justice, Washington, DC.



October 3, 2011
For Immediate Release

Contact:
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STATEMENT FROM PRESIDENT RICARDO MARTINELLI ABOUT PANAMA-U.S. FREE TRADE AGREEMENT

"The trade agreement between the U.S. and Panama confirms the fundamental partnership between our two countries.

"By sending the U.S.-Panama free trade agreement to Congress today, the President has taken a crucial step toward creating new economic opportunities for the citizens of both Panama and the United States. With Congressional leaders committed to swift action on this important treaty, we take another step forward together in fortifying a great and historic friendship between Americans and Panamanians.

"Our long partnership is founded on common values and common interests. Ours is a mutual commitment to providing a better life for our citizens which will create jobs in both countries; provide continued opportunities for economic growth; and greater stability in the region, through trade ties and a rising standard of living.

"I look forward to continuing to work with America's Congressional and business leaders in cementing our great and historic friendship."

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